

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-07 FRB-03 INR-07

NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01 LAB-04

SIL-01 OMB-01 ERDA-05 CEA-01 DODE-00 FEAE-00 FPC-01

H-02 INT-05 L-02 NSC-05 PM-03 SAM-01 OES-03 SS-15

STR-01 EUR-12 /102 W

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R 121003Z MAR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2485

USDOC WASHDC

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

USINT BAGHDAD

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E.O. 11652: N/A

TAGS: ENRG, ECEM, BMEP, EINV KU

SUBJ: KUWAIT IN SERIOUS NEGOTIATION FOR \$750 MILLION IN PETRO-
CHEMICAL PROJECTS

REF: A. KUWAIT 0551 B. KUWAIT 5165 (NOTAL) C. KUWAIT 4132 (1974)

SUMMARY: EMBOFF DISCUSSED DEVELOPMENT KUWAIT'S PETROCHEMICAL SECTOR
WITH PETROCHEMICAL INDUSTRIES COMPANY CHAIRMAN ABDULBAQI NOURI.
FROM NOURI'S COMMENTS IT OBVIOUS THAT HIS COMPANY PUSHING HARD TO
REACH PARTICIPATION AGREEMENTS WITH FOREIGN COMPANIES ON TWO
MAJOR PETROCHEMICAL PROJECTS. ON SMALLER OF TWO PROJECTS US FIRM
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SEEMS LIKELY PARTNER WHILE IN LARGER ONLY ONE US FIRM APPEARS TO

BE COMPETING AGAINST NUMBER OF EUROPEAN FIRMS. END SUMMARY

1. EMBASSY NOW HAS CLEARER PICTURE OF KUWAIT'S INTENTIONS IN DEVELOPING ITS PETROCHEMICAL INDUSTRY. ALTHOUGH WITH NUMBER OF DIVERSIFIED KUWAITIS HAVING STAKE IN FINAL OUTCOME, THESE PLANS MAY BE SUBJECT TO CHANGE. APPEARS PETROCHEMICAL INDUSTRIES CO (PIC) MAIN FOCAL POINT THIS ACTIVITY EVEN AFTER KUWAIT OIL, GAS, AND ENERGY COMPANY, WHICH WILL HAVE COORDINATING ROLE IN KUWAIT'S PETROCHEMICAL-BASED INDUSTRIAL DEVELOPMENT, IS FULLY OPERATIVE.

2. PIC CHAIRMAN NOURI CONFIRMED AS PREVIOUSLY REPORTED THAT KUWAITIS IN FINAL STAGES OF NEGOTIATIONS WITH W R GRACE. HE EXPECTS TALKS TO BE SUCCESSFUL ON THIS PROJECT WHICH REQUIRES \$250 MILLION INVESTMENT TO PRODUCE FAMILY OF AROMATICS. HOWEVER, EVEN IF AGREEMENT REACHED GRACE WILL BE EXPECTED TO APPOINT CONSULTANT TO WORK WITH PIC'S CONSULTANT ON FINAL FEASIBILITY STUDY BEFORE PROCEEDING WITH DESIGN AND CONSTRUCTION.

3. OTHER PROJECT RECEIVING SERIOUS CONSIDERATION IS \$500 MILLION PETROCHEMICAL COMPLEX TO PRODUCE ETHYLENE, POLYETHYLENE, AND STYRENE MONOMERS. PIC HAS HAD EXTENSIVE TALKS WITH GULF OIL COMPANY, THE MAJOR US OIL PRODUCER IN KUWAIT, ON THIS PROJECT AND NOURI HAS VISITED GULF HEADQUARTERS IN PITTSBURGH TO DISCUSS PROJECT. HE CLAIMS THAT GULF NO LONGER SEEMS SERIOUSLY INTERESTED IN PROJECT BECAUSE OF UNCERTAINTY OVER THEIR ULTIMATE ROLE IN KUWAIT AND THEIR ALLEGED INABILITY TO UNDERTAKE PROJECT OF THIS MAGNITUDE NOW (PROJECT REQUIRES \$100 MILLION FROM FOREIGN PARTNER). PIC SUBSEQUENTLY IN CONSULTATION WITH THEIR ADVISORS CHOSE 10 INTERNATIONAL FIRMS WHICH THEY BELIEVED MOST ABLE IN THIS FIELD. LIST INCLUDED UNION CARBIDE, DOW CHEMICAL, AND E I DUPONT. DOW AND UNION CARBIDE INDICATED DISINTEREST WHILE DUPONT GAVE A POSITIVE RESPONSE. NOURI CLAIMED NUMBER EUROPEAN FIRMS ALSO RESPONDED POSITIVELY. IN CONVERSATION WITH EMBOFF HE ORIGINALLY CLAIMED APRIL 15 AS DEADLINE FOR COMPANIES TO RESPOND TO THIS INVITATION, BUT AFTER CHECKING WITH SUBORDINATE CLAIMED THAT DEADLINE HAD PASSED END FIRST WEEK OF MARCH. (SHOULD BE NOTED THIS SUPERCEDES INFO ON THIS PROJECT REF A).

4. ACTION AND COMMENT: EITHER ONE OF THESE PROJECTS WOULD BE MAJOR UNDERTAKING FOR KUWAIT AT TIME WHEN QUALIFIED PERSONNEL ALREADY LIMITED OFFICIAL USE

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SPREAD EXCEEDINGLY THIN. HOWEVER, NOURI IS DETERMINED INDIVIDUAL AND SEEMED THOROUGHLY ANXIOUS TO GET MOVING WITH BOTH PROJECTS. WHILE WE NOT IN BEST POSITION TO EVALUATE POTENTIAL ECONOMIC BENEFITS TO US IN HAVING US COMPANIES PARTICIPATE IN THES PROJECTS, WE SUSPECT THAT FAILURE TO CHOOSE US PARTICIPANT FOR EITHER ONE WOULD RESULT IN MAJOR LOSS OF EQUIPMENT AND SERVICES EXPORTS TO KUWAIT AS WELL AS LOSS TO US CHEMICAL COMPANY WHICH COULD EVENTUALLY EXPECT RECEIVE FINANCIAL SUPPORT FROM KUWAIT IF

THEIR VENTURE HERE PROVES SATISFACTORY. GRACE IS WELL ALONG ON
THEIR PROJECT AND WE SHOULD IN NO WAY INSERT OURSELVES UNLESS
ASKED TO DO SO. ON OTHER HAND, IF GULF TRULY OUT OF PICTURE ON
ETHYLENE-BASED COMPLEX, BELIEVE COMMERCE COULD PLAY USEFUL ROLE
IN CONFIRMING AND DETERMING REASONING BEHIND RESPECTIVE POSITIONS
OF US INVITEES. REQUEST COMMERCE CONTACT THREE COMPANIES TO DETER-
MINE IF FOREGOING CORRECT AND LIKELIHOOD THAT DUPONT OR OTHERS
PREPARED DISCUSS PROJECT SERIOUSLY WITH KUWAITIS. BELIEVE MAJOR
EXPORT PROJECTS DIVISION SHOULD FOLLOW THIS PROJECT CLOSELY AND
KEEP EMBASSY INFORMED OF DEVELOPMENTS.
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